

**VIA ECFS**

February 14, 2006

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

**Re: Docket No. 96-128; FDN Communications' Payphone Systems Audit Report**


Dear Ms. Dortch:

FDN Communications ("FDN"), through its undersigned counsel, attaches its Payphone Systems Audit Report. FDN also submits that the entity responsible for handling the company's dispute resolution is:

National Payphone Clearinghouse (NPC)  
Room 121-500  
201 E. Fourth St.  
Cincinnati, OH 45202  
Phone : (513) 397-6260  
<https://www.npc.cc>

Should you have any questions concerning this filing, please do not hesitate to contact the undersigned.

Respectfully submitted,



Eric J. Branfman  
Danielle C. Burt



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Suite 1100, Independent Square  
One Independent Drive  
Jacksonville, FL 32201-0190

## **Independent Accountants' Report**

The Board of Directors  
FDN Communications:

We have examined management's assertion, included in the accompanying *Report of Management on Compliance with Applicable Requirements of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications Commission's Rules and Regulations*, that FDN Communications ("FDN" or "the Company"), complied with 47 C.F.R. Sections 64.1310(a)(1), 64.1320(c), and 64.1320(d) of the Federal Communications Commission's ("FCC's") Rules and Regulations and related requirements contained in CC Docket 96-128 as of January 27, 2006. Management is responsible for the Company's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Company's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with specified requirements.

In our opinion, management's assertion that the Company complied with the aforementioned requirements as of January 27, 2006 is fairly stated, in all material respects.

This report is intended solely for the information and use of the Company, the FCC, and applicable Facilities-Based Long Distance Carriers and Payphone Service Providers and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

January 27, 2006

**Report of Management on Compliance with Applicable Requirements  
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications Commission's  
Rules and Regulations**

Management of FDN Communications ("FDN" or "the Company"), is responsible for establishing and maintaining the internal controls over its pay telephone call tracking system necessary for compliance with 47 C.F.R. Section 64.1310(a)(1) of the Federal Communications Commission's ("FCC's") Rules and Regulations and related requirements contained in CC Docket No. 96-128, regarding *The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*.

Management has evaluated the Company's compliance with the applicable requirements of 47 C.F.R. Section 64.1310(a)(1), using the criteria in 47 C.F.R. Section 64.1320(c) of the FCC's Rules and Regulations as the framework for the evaluation. Based on this evaluation, we assert that as of January 27, 2006, the Company complies with the applicable requirements of 47 C.F.R. Section 64.1310(a)(1) in all material respects as described below. The quarterly compensable call file produced for the quarter ended March 31, 2006 will be created by the call tracking system. FDN provides the following information regarding its compliance.

FDN acts as the Completing Carrier<sup>1</sup> in the following call scenarios:

- 8XX Toll Free calls
- Operator Assisted calls<sup>2</sup>

FDN uses National Payphone Clearinghouse ("NPC") to perform payphone compensation settlement. Certain assertions included in this report depend in whole or in part upon NPC performance. In support of these assertions, FDN relies upon a contractual agreement between FDN and NPC ("NPC Contract"), which requires NPC's compliance, with CC Docket No. 96-128. In addition, NPC has provided FDN an independent third-party audit report to verify that effective controls and procedures relating to these assertions have been established and will be maintained by NPC. FDN has not conducted an independent evaluation and makes these assertions based solely on the NPC Contract and third-party audit report of NPC's operations.

The assertions for FDN are made starting with the initial point in call record processing at which FDN has visibility to the call tracking data. FDN represents the following facts regarding its role as the Completing Carrier, which are in fulfillment of the obligation of FDN as described at 47 C.F.R. Section 64.1320(c):

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<sup>1</sup> As defined in the FCC Report and Order in CC Docket No. 96-128, released on October 3, 2003, regarding *The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, paragraph 64.1300(a), a Completing Carrier is a long distance carrier or switch-based long distance reseller that completes a coin-less access code or subscriber toll-free payphone call or a local exchange carrier that completes a local, coin-less access code or subscriber toll-free payphone call.

<sup>2</sup> Only applies to Operator Assisted calls to FDN's Customers.

**Report of Management on Compliance with Applicable Requirements  
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications Commission's  
Rules and Regulations**

**A. FDN's procedures accurately track calls to completion, as follows:**

1. FDN's definitions and procedures for establishing the "per-call rate" are in compliance with FCC rules.
2. FDN's definition of a "Compensable Call"(payphone-originated call that completes over FDN's network in which FDN identifies itself as the Completing Carrier) is in compliance with FCC rules.
3. FDN's vendor, NPC, is able to generate the following reports on a quarterly basis, and the third-party audit report of NPC verified that NPC's systems are able to generate the reports and report data for which NPC is responsible, as follows:
  - a) A list of the toll free and access numbers dialed and completed from each Payphone Service Provider's ("PSP") payphones along with the Automatic Number Identification ("ANI") digits for each payphone.
  - b) The volume of calls for each toll free and access number that was completed by FDN.
  - c) The name(s), address (es), and phone number(s) of the person(s) responsible for handling FDN's payphone compensation.
  - d) The Carrier Identification Code ("CIC") or trunk routing group of all facilities-based long distance carriers that routed calls to FDN, categorized according to toll-free and access code numbers.
4. FDN's data storage requirements are in compliance with requirements established by the FCC ruling of 27 months.
5. FDN's procedures for identifying PSPs are complete and accurate, and the third-party audit report of NPC processes verified that NPC procedures for identifying PSPs are also complete and accurate.
6. FDN's procedures for validating payphone ANIs are complete and accurate, subject to provision of the relevant information by NPC, the completeness and accuracy of which the third-party audit report of NPC processes verified.

**B. FDN has identified persons responsible for tracking, compensating, and resolving disputes concerning payphone-completed calls, as follows:**

1. FDN has identified personnel responsible for drafting and maintaining the business requirements associated with call tracking, payphone compensation and resolving disputes concerning payphone-completed calls.

**Report of Management on Compliance with Applicable Requirements  
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications Commission's  
Rules and Regulations**

2. FDN has identified personnel responsible for the development and maintenance of systems used in the collection and reporting of payphone call data, and the third-party audit report of NPC verified that NPC has designated personnel responsible for the development and maintenance of the systems under their control used in the collection and reporting of payphone call data.
3. FDN has identified personnel responsible for the implementation and maintenance of procedures that are utilized in creating final compensation data sets, and the third-party audit report of NPC verified that NPC has designated personnel responsible for the implementation and maintenance of procedures under their control that are utilized in creating final compensation data sets.
4. FDN has identified personnel responsible for developing compensation-tracking reports, and the third-party audit report of NPC verified that NPC has designated personnel who are responsible for developing compensation-tracking reports under their control.
5. FDN has identified personnel responsible for payphone compensation dispute resolution, and the third-party audit report of NPC verified that NPC has designated personnel who are responsible for the payphone compensation dispute resolution under their control.
6. FDN has identified personnel responsible for managing coordination with the payphone clearinghouse services provider, NPC.

**C. FDN has effective data monitoring procedures, as follows:**

1. FDN has the ability to prepare quarterly reports on payphone call counts and numbers dialed and completed, and the third-party audit report of NPC verified that NPC has the ability to prepare the quarterly reports on payphone call counts, PSP identities and numbers dialed and completed under their control.
2. FDN performs data monitoring procedures on call record volumes entering the payphone compensation systems.
3. FDN performs fraud-monitoring procedures to identify potentially illegitimate payphone calls.
4. FDN has the ability to investigate and resolve PSP disputes.

**Report of Management on Compliance with Applicable Requirements  
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications Commission's  
Rules and Regulations**

**D. FDN adheres to established protocols to ensure that any software, personnel or any other network changes do not adversely affect its payphone call tracking ability, as follows:**

1. FDN has security controls in place to control access to and monitor call-tracking data, and the third-party audit report of NPC verified that NPC has controls in place to control access to and monitor call-tracking data.
2. FDN has security controls in place to control access to and monitor the payphone compensation system, and the third-party audit report of NPC verified that NPC also maintains such controls.
3. FDN has personnel who are responsible for making software changes that affect payphone compensation systems, and the third-party audit report of NPC verified that NPC also has personnel who are responsible for making software changes.
4. FDN has established protocols to implement and test software changes affecting payphone compensation, and the third-party audit report of NPC verified that NPC also has personnel who are responsible to implement and test software changes.
5. FDN has application controls in place to ensure that the voice network changes, external to payphone compensation, do not negatively impact payphone compensation.

**E. FDN creates a compensable payphone call file by matching call detail records against payphone identifiers, as follows:**

1. FDN utilizes switch data and database look-ups to populate the date, originating ANI, dialed number, and aggregate data into a Compensable Call File.
2. Compensable calls for FDN include the following:
  - a) Coin-less calls originated at a payphone and completed by FDN to a FDN 8XX Toll Free customer.
  - b) Coin-less operator assisted calls originated at a payphone and completed by FDN to a FDN customer.
3. FDN uses payphone specific identifiers ("info-digits") and NPC's payphone ANI list to identify a compensable payphone call record, and the third-party audit report of NPC verified that NPC also maintains such identifiers.
4. FDN applies validation and control procedures to compile the Compensable Call File.
5. FDN uses a "per-call rate" of \$.494 since the date of September 27, 2004 to compensate PSPs, and the confirmation letter from NPC verified that NPC

**Report of Management on Compliance with Applicable Requirements  
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications Commission's  
Rules and Regulations**

compensates payphone providers based on this rate since the date of September 27, 2004.

**F. FDN has procedures to incorporate call data into required reports as follows:**

1. FDN's systems are able to generate, and the third-party audit report of NPC verified that NPC's systems are able to generate for the systems under their control, the following reports on a quarterly basis:
  - a) NPC creates a list of the toll free and access numbers dialed and completed from each PSP's payphones along with the ANI for each payphone.
  - b) The volume of calls for each toll free and access number that was completed by FDN.
  - c) The name(s), address (es), and phone number(s) of the person(s) responsible for handling FDN's payphone compensation.
  - d) The CIC or trunk routing group of all facilities-based LD carriers that routed calls to FDN, categorized according to toll-free and access code numbers.
2. FDN's vendor, NPC possesses a valid list of payphone owners associated to ANIs.

**G. FDN has implemented procedures and controls needed to resolve payphone compensation disputes, as follows:**

1. FDN's data storage requirements are in compliance with requirements established by the FCC ruling of 27 months.
2. FDN has the ability to investigate and resolve PSP disputes.
3. FDN has designated personnel who are responsible for payphone compensation dispute resolution.
4. FDN will file a statement that includes the names, addresses and phone numbers for persons responsible for handling payments and resolving disputes. This statement will be updated within 60 days of any changes of such persons. The statement will be filed with the FCC Secretary and made available to facilities-based LD carriers and PSPs.

**Report of Management on Compliance with Applicable Requirements  
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications Commission's  
Rules and Regulations**

**H. FDN contracted an independent third-party auditor to test critical controls and procedures to verify that errors are immaterial, as follows:**

1. FDN has procedures to identify payphone-originated calls, and the third-party audit report of NPC verified that NPC also has such procedures.
2. FDN has procedures to capture dial-around calls.
3. FDN has procedures to exclude incomplete calls from the Compensable Call File.
4. FDN has procedures to accurately populate call record data in the Compensable Call File.
5. FDN does not have commission agreements with PSPs.

**I. FDN has in place adequate and effective business rules for implementing and paying payphone compensation, including rules used to: (i) identify calls originated from payphones; (ii) identify compensable payphone calls; (iii) identify incomplete or otherwise non-compensable calls; and (iv) determine the identities of the payphone service providers to which FDN owes compensation, as follows:**

1. FDN has business rules that identify calls originated from payphones, and the third-party audit report of NPC verified that NPC also has such business rules.
2. FDN has business rules that identify compensable payphone calls.
3. FDN has business rules that identify incomplete or otherwise non-compensable calls.
4. FDN's vendor, NPC, has business rules to determine the identities of the PSPs to which FDN owes compensation.



**Report of Management on Compliance with Applicable Requirements  
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications Commission's  
Rules and Regulations**

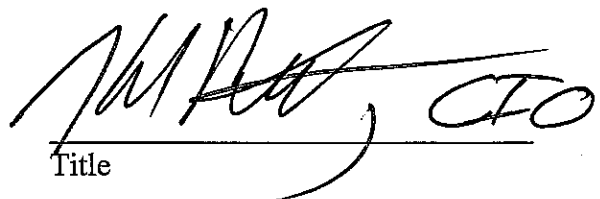
**FDN – Required Disclosures per 64.1320(d)**

FDN represents the following facts regarding its role as the Completing Carrier. These facts are in fulfillment of the obligations of FDN as specified at 47 C.F.R. Sections 64.1320(d):

1. FDN's criteria for identifying calls originating from payphones include call record info-digit identification of 07, 27, 29 or 70.
2. FDN's criteria for identifying compensable payphone calls include calls identified with (1) info-digits of 07, 27, 29 or 70, (2) Billing Telephone Number field is populated, (3) are not originated from invalid trunk groups and, (4) valid answer type.
3. FDN's criteria for identifying incomplete or otherwise non-compensable calls include: (1) calls that do not have a payphone info-digit, (2) calls that do not have a valid Billing Telephone Number, (3) calls originating from invalid trunk groups and, (4) calls with invalid answer types.
4. FDN's criteria used to determine the identities of the PSPs to which FDN owes compensation are established by NPC, FDN's clearinghouse for settlements.
5. The type of information that FDN needs from the PSPs in order to compensate the PSPs is determined by NPC.

FDN Communications

Dated: January 27, 2006

  
Title